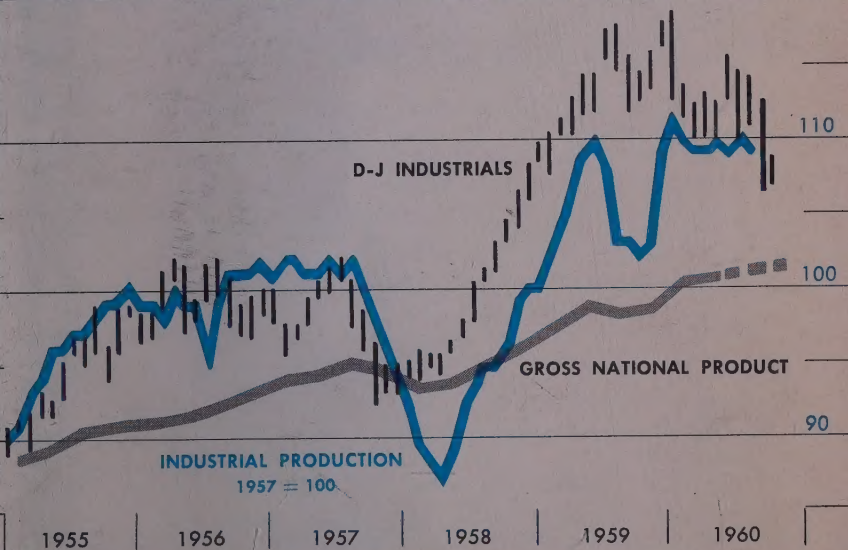


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# Investor's Reader

*For a better understanding of business news*



Results of a Coast-to-Coast Survey

## THE BUSINESS OUTLOOK THROUGH APRIL 1961

(see page 1)



## CHESEBROUGH CHEESECAKE

The host of beauty items displayed before this comely model are all products of enterprising cosmetician Chesebrough-Pond's Inc. Thanks to its active acquisition program the \$40,000,-000-assets company can now offer something for practically every female beauty need and plenty for the well-groomed male too. The Cutex nail enamel which she so carefully applies comes from Northam Warren Corp of Stamford, Conn whose purchase for cash Chesebrough expects to complete by the end of the year. Northam, which earned close to \$900,000 last year, will also put

Peggy Sage cosmetics, Odorono deodorant and Keenedge cutlery into the Chesebrough cabinet.

An offshoot of the Standard Oil breakup in 1911, Chesebrough Manufacturing (Vaseline) married Pond's Extract in 1955. The merged company has since annexed Seeck & Kade (Pertussin cough syrup). It also bought the Prince Matchabelli division (Simonetta, Seaforth, and Black Watch) from Vick Chemical and Aziza Eye Cosmetics from Mauvel Ltd. All domestic operations were recently consolidated in a 285,000-square foot plant at Clinton, Conn.

Vaseline and many other Chesebrough products are also familiar abroad. The company owns plants in ten foreign lands, licenses manufacturing agents in another 40, distributes in an additional 83. Foreign operations now account for around 40% of sales and close to 60% of profits.

Foreign and domestic business added up to record sales and earnings in 1959. Specifically the company grossed \$66,310,000 while profits came to \$4,030,000 or \$1.38 a share. Adjusted for a 5-for-1 split this May the 2,925,000 common shares which enjoy unlisted trading privileges on the Amex sell only two points below the alltime high of 36½ scored earlier this year. Chesebrough which reports only on an annual basis is expected to expand this year's sales 11% to \$73,700,000 while earnings are estimated at \$1.55-to-1.60.

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# Investor's Reader

No 9, Vol 35

October 26, 1960

## **The Business Outlook Through April 1961**

**A Coast-to-Coast Survey Shows Most Businessmen  
Optimistic Despite the Squeeze on Profits**

*Editor's Note: The following article is based on factual reports from 270 big & little businessmen across the US. Virtually all of the reports were secured by Merrill Lynch Managers and Account Executives. Some of the interviews lasted three hours; most were much shorter.*

*The facts and opinions cover the economic gamut—ad men, auto dealers, bankers, chemists, contractors, cotton farmers, druggists, farm machinery salesmen, food processors, horse breeders, innkeepers, oil men, paper makers, railroaders, steel men, textile mill owners, tobacco raisers and utility operators. This survey is mostly concerned with the small businessman and few major companies are included because their activities are regularly reported in the press. Nor have we tried to include overseas operations of domestic companies or domestic operations of foreign companies.*

**I**F THE STOCK MARKET were an accurate thermometer of the nation's economic health, "we would be," in the words of one savvy banker, "in a hell of a fix."

Fortunately for the vast majority of 180,000,000 US citizens the overall economy is pleasantly close to record levels. Right now the gross national product (total value of all goods & services) is at the annual rate of \$505 billion a year, a figure considered



virtually impossible by some economists only a few years ago.

True enough there are worrisome spots in the economy—steel, home building, railroad carloadings and unemployment to name four. But these are offset by alltime records for such important things as power output, retail trade, petroleum products and employment. The last helps explain why personal income is also at record levels. The paradox is, because of a greater work force, in a year when we have record employment we also have great unemployment.

Perhaps the best explanation for the difference between the level of business and the mood of business is the drop in profits, or to be more specific the drop in profit margins.

As US Budget Director Maurice H Stans stated: "There is a difficulty in making profits." A few weeks ago Treasury Secretary Robert B Anderson told the World Bankers about the economic health of the US but added the expected 1961 budget surplus had been slashed three-quarters to \$1.1 billion. The reason: a decline in tax collections on corporate earnings. In brief, a tinge of "profitless prosperity," a phrase used several times in the past.

The present economic melange comes at a most unfortunate time, at least psychologically. Many businessmen wistfully recall catch phrases such as "soaring Sixties" earlier this year. Since business has risen less than expected, there is a human tendency to accent the negative. In essence—good business can be bad business when you expect something better.

Hence it is no wonder the businessmen contacted by Merrill Lynch had a batch of words to describe the present situation. Many of them bluntly stated "sales up, profits down." Others used the newly popular phrase "rolling readjustment" with "roll" meaning from one industry to another. Still others called things "uncertain," "catch-up," "digestive," "level out," etc.

### **Questions & Answers**

The Merrill Lynch business survey consisted of three basic questions:

- For the year to date are your sales above or below 1959?
- For the year to date are your profits above or below 1959?
- What is your estimate of your own business six months ahead?

In their answers to the first question 133 businessmen said sales were ahead, 27 stated they were about even and 110 reported lower volume. On the matter of profits, 84 of the same businessmen

said they were higher, 38 even and 148 reported lower earnings.

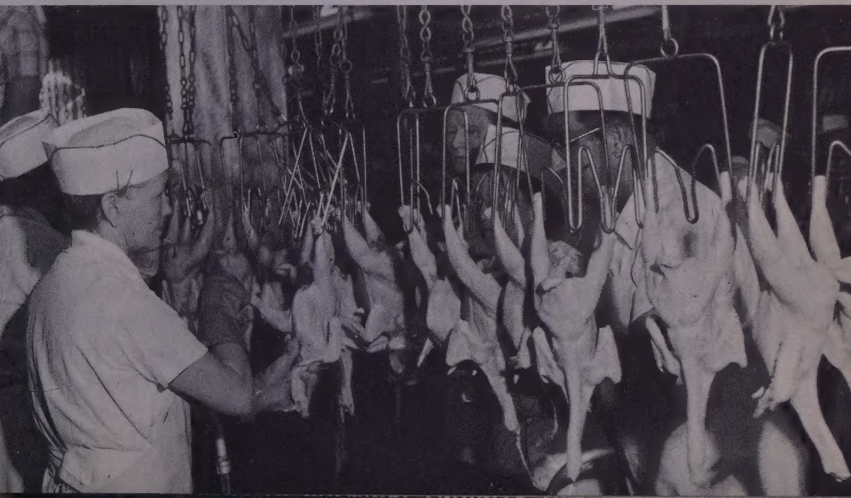
Around the country there were sharp differences within the same business. Among **farm equipment** dealers, manager William H Johnson of the John Deere agency in Memphis happily reported his volume is 20% above last year and his profits are up 5%. Moreover he regards the outlook as "excellent \* \* \* we expect the best six months in our history." Reason: a new line of tractors.

Glen E Winters, owner of the Zanesville (Ohio) Implement Company has another story: dollar sales are about even but profits are "somewhere between 50-and-75% below last year." Reason: he has adjusted inventory and sold slow items at cost or even a loss. Says he: "Overall sales in this area are down 25% and I have made some of the toughest and closest deals I can remember." He expects his business to hold even until an upturn in the Spring.

There are differences in one of the largest industries of all—**food** processing. In Fort Wayne, Ind president Robert O Locke of Town & Country Food Company says sales are up 5%, profits are about even and the outlook "is really good." Started in 1947, Town & Country has grown fast since 1955 when it set up a special corporation to finance its consumer business. Since then food sales have leaped tenfold to over \$9,000,000 a year; the securities company has increased its assets from \$262,000 to above \$4,000,000. Says president Locke: "We plan to increase profits 30% next year."

In Shreveport, La the largest food processor is Rite-Care Poultry Company (see picture) which was started only eight years ago.

**Louisiana chicks prepared for market**





In this short time the company has multiplied volume sixfold to 1,500,000 pounds a month; a subsidiary has one-half million broilers on feed; distribution units handle eggs, butter, cheese, turkeys, etc.

The whole broiler business has grown almost too fast and "there have been very trying times," especially when prices dipped below cost of production.

Hence founder-comptroller Fred H Wright projects total 1960 sales 14% above last year but profits will be down one-third. He expects the next six months "will about equal the last half of 1959."

Another major business is **building** supplies. In Lansing, Mich president Richard L Parisian of Standard Block & Supply Company reports a standout situation: "Sales are down 10% but profits are about the same because of economy measures." Standard Block & Supply was set up back in 1939 to make cement blocks. Its original capital: \$400. Today it handles a general line of building supplies, has sales of over \$3,000,000 a year. President Parisian, 44, states: "The weather will have a lot to do with it but contractors are more optimistic than they were a few months ago."

In Philadelphia the Warner Company projects total 1960 sales will be down almost 30% while profits could drop 90%. Big Boarder Warner is one of the largest building supply companies on the Atlantic Coast with total assets of \$33,000,000. Including its predecessor companies, its experience stretches back to 1794.

A Warner vice president is "very optimistic" about business after the middle of March 1961. Like his colleague in Michigan, however, he has an "if" on the weather.

### **A Striking Forecast**

Regardless of the pressure on profits and problems in politics, the vast majority of the businessmen contacted by Merrill Lynch cast a landslide vote for optimism. In fact, 196 of them forecast higher sales and profits on or before April 1961. Another 50 think business will be unchanged and 24 expect things to get worse.

These bare statistics must be weighed against the human beings who supplied the answers. Among the optimists some anticipate record sales next year with increases of one-third and more. Others will be content with 5%. Those who expect business to remain "unchanged" probably think it will stay so within a margin of 10% either way. And when a proprietor whose business is way

down reported "it will continue unsatisfactory" he may think in terms of a little worse or a little better (in the poll he was counted on the down side).

Another vital element is the innate optimism of most US businessmen. By heritage and by education most of them are apt to think in terms of growth and expansion. Nonetheless most of them backed their optimism with ideas in motion or plans in blueprint. Paramount among the ideas is better cost control; in blueprint are plants and equipment to gain more efficiency.

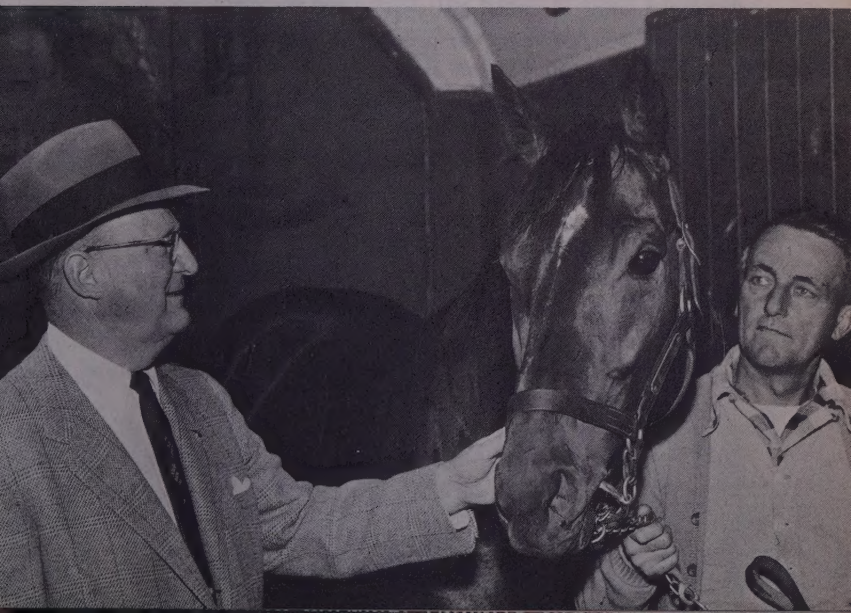
### **On the Farm**

Near Lexington, Ky Clarence P Le Bus owns over 3,000 acres devoted to cattle, sheep, dairy products, corn and tobacco. At peak season farmer Le Bus hires 40 hands and needs 20 big trucks, tractors and combines. He estimates sales this year will be 10% below 1959 with a similar decline in profits.

Like other farmers, Clarence Le Bus must hedge his forecast—but for good reason. Though he is one of the largest tobacco growers in the state his crop will not be sold until December-January. He thinks prices may be higher. Meanwhile "I intend to stress automation. I have automated feeding for cattle which has been very successful."

Not far away is the 2,100-acre Spendthrift Farm owned &

**Les Combs checks in with Nashua**





operated by Leslie Combs II and conceded to be one of the most successful horse breeding farms in the world (see picture, pg 5).

He reports revenues will be up 20% this year while profits should increase 25%. And even with "revenooers" peering over the shoulders of \$2 bettors he says: "Racing continues to be an outstanding sport so the demand for thoroughbred horses should continue to flourish."

The world's largest cotton plantation is Delta Pine & Land Company at Scott, Miss (38,000 acres). General manager Minor Gray reports cotton and soybean income will be down about 8%, cattle income off 20% and overall profits down 10%. The 2,000-acre Yearout Ranch near Fresno, Cal anticipates 1960 sales & profits about the same as last year with a big question mark over the Government cotton program. In Gilbert, La cotton and livestock rancher C B Sherrouse predicts 1960 sales up 5%, profits unchanged and the "outlook is uncertain" because of lack of any articulated proposed farm legislation.

Down in Amarillo, Texas, owner O W Harrison Jr of the Harrison Implement Company says 1960 sales & profits will be the same as 1959 and perhaps "slightly better." Competition is tougher but he is fairly optimistic because of a large maize crop and a much larger wheat crop. Back East near Williamsport, Pa, Ralph H Keebler of Keebler's Feed & Farm Supplies put it nicely: "Our sales are running ahead of last year and this makes us happy but our profits are not rising in proportion and this makes us unhappy." Ralph Keebler sees a steady growth in renting or leasing equipment to small farmers and "we look forward to a good overall 1961."

### **In the City**

Since they deal in industrial, commercial and residential properties, **real estate** agents are frequently a good barometer of local business conditions and sentiment.

In Norfolk the big agency of Goodman-Segar-Hogan says residential sales volume is 6% behind last year but profits are up 19% "due to a much closer look at expenses." They are optimistic because "it is our feeling that the payroll engendered by building the \$200,000,000 Chesapeake Bay Bridge & Tunnel will stimulate real estate activity."

In Pensacola the Hart Agency states volume is up 10% while profits should be up 15% in 1960. However they expect a "down-



ward movement in the volume of real estate sales" because officials in Escambia County are trying to put full valuation into effect. The situation in Miami Beach is illustrated by two facts: 1) dozens of hotels have gone through the wringer and many are still closed; 2) an empty lot and a huge sign proclaiming the luxurious "Hamilton House" is almost the only thing left of the project (see picture).

The oldest (85 years) and largest (110 employees) agency in San Diego is the Percy H Goodwin Company. In the first nine months of the year sales were down 30% and profits dropped 25% with the property management division in the red. The agency reports an oversupply of both old hotel rooms and old office space. Manager Charles L Kendrick is bearish on the near-term outlook but "definitely enthusiastic" about all of 1961. He makes an interesting comment: "Many clients have liquidated their security investments with the thought of reinvesting in real estate and then were unable to find attractive properties at a fair market price."

In Tulsa, Seth M Hughes, senior partner of Hughes, Jones & Russell, the city's largest real estate firm, expects both sales & profits in 1960 will be 10% lower than 1959. Similarly, leading Grand Rapids realtor Dutcher Realty states 1960 sales to date locally are off about 10% while net profits for the year will be approximately the same as in 1959. The Arthur E Biard Company says real estate sales in San Antonio are "running 20-to-25% lower than in 1959" and profits will be down too.

Better results will come from Mario Lombardo Inc, Trenton's largest real estate dealer, which expects a 25% increase in sales and a 10% rise in profits. The same holds for the Ervin Construc-

#### Once glorious plans for Hamilton House

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TAYLOR CONSTRUCTION CO.

tion Company of Charlotte, NC which estimates a 20% increase in sales and a 30% boost in profits. What is more, president Charles Ervin looks for an additional 20% increase in his business in the next six months. Also in Charlotte, Spangler Construction expects 1960 sales will be up 20% but profits will be down about 20%.

The **hotel** business varies considerably. Manager Richard R Hall of the Hermitage in Nashville, Tenn says volume is down 2% and profits 3-to-5%. Some reasons: "Increases up to 8% in certain utility rates, tax hikes and the ever-increasing wage spiral." However his sales forecast is "well on the plus side."

In St Paul manager Bill Wolf of the Lowry says both revenues and profits are "down slightly" but he calls the outlook "good." In Beaumont, Texas, president Waldo Wilson of the Beaumont reports sales down 10%, profits down 20% and "no sign of improvement." In Canton, Ohio there is an unusual situation: one hotel burned in March, another has been taken over for county offices and the rest are "enjoying boom operations."

In Beverly Hills president Conrad N Hilton of the mighty quarter-billion-dollar Hilton chain predicts 1960 sales will rise 5% and profits will hold even. He adds: "Unless there is some worldwide disturbance to change it, the outlook is very good."

### **In the Shops**

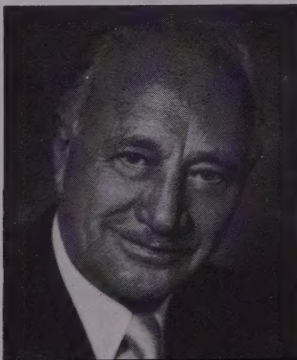
**Retail trade** varies by regions. In Atlanta president Richard H Rich of Rich's says both sales and profits are "slightly down" from last year's record levels. He adds: "We are not faced with any radical downturn in business \* \* \* but we will have some catching up to do."

In Los Angeles the 19-store Bullock's chain (IR, Sept 28, 1960) is decidedly optimistic. Its economists expect an "excellent" fourth

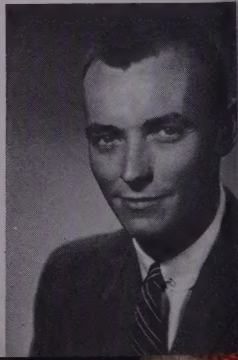
**Robert O Locke**



**Conrad N Hilton**



**Richard R Hall**



quarter with a "sales growth of 6% which for 1960 will produce higher profits than in 1959." The company plans a new store in the San Fernando Valley. It will be finished in 1962 with \$15,000,000 sales projected the first year and "\$30,000,000 in a very short time." In Austin, Texas the downtown merchants are fighting the suburban shopping centers with one-night-a-week openings. The program is only a month old but results are "highly satisfactory."

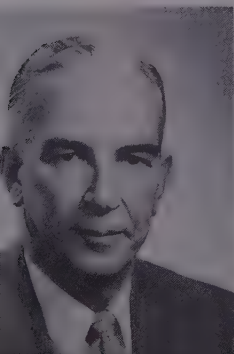
Many **appliance** dealers are in a profit squeeze. In Louisville, Kirchdorfer Super Appliance reports total 1960 sales will be 27% ahead of last year but profits will be "about the same." The 1961 outlook is good for any dealer who can survive the present period of "beat-down" prices. In the same city Carney Appliance Center says sales will probably be down 8% this year but profits will be about the same. The outlook is regarded as "not booming by any means but on an even keel."

Out in Tacoma, Sepic's Appliances states sales and profits are down between 15-and-20% and the nearby outlook "is about the same." The largest retail appliance store in San Diego is Harrington's Electrical Appliance & TV. They report sales are up 15%, profits are unchanged and "business will probably run at the same rate as 1959 and could even run less unless general conditions improve."

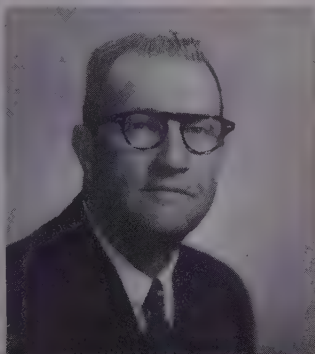
### **In the Factory**

Reports from industry range from very good to very sad. In his office in Midland, Mich, president Leland I Doan of \$859,000,000-assets Dow Chemical forecast calendar 1960 sales would be 5% above last year but profits will be "off 5-to-10%." He expects better things in the next six months but adds "anything can happen with election year and cold war activities." In Pittsburgh Blaw-Knox (steel mill equipment) expects 1960 sales will soar 31% to

**Thomas D Russell**



**Raymond Rebsamen**



**Leland I Doan**





\$210,000,000. Earnings would reach a new record of \$7,000,000 except for a non-recurring charge of \$2,250,000 which probably will be made this year. The outlook for the 1961 first half: earnings are expected to increase about 5% because of "near-capacity operations well into 1961."

In Dayton president Milferd A Spayd of Standard Register commented on the "many frustrating things in the news." At his favorite company, 1960 sales should be up 6% or so but profits will be down about 15%. Standard Register is spending millions for new equipment and has 175 sales trainees this year v 70 a year ago.

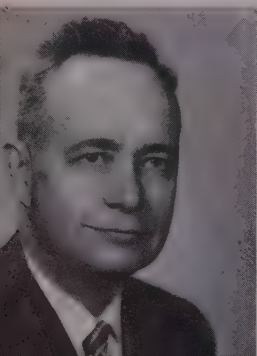
In Cleveland chairman & president John Virden of Eaton Manufacturing (auto equipment) says 1960 sales will be off about 10% and profits will show "a much larger percentage decline." But he adds: "In recent weeks there have been signs the downward trend has leveled out and we believe we have passed the low point."

In Easton, Pa Alpha Portland Cement sales in 1960 will be down 7% and profits 25%. There are some ifs & buts in the depletion situation but the outlook is "pretty good." Fellow cement maker Lehigh Portland is almost in line: sales off 5%, profits down 20-to-25% and the outlook "a little uncertain." In Buffalo president Fred A Manske of National Gypsum estimates sales are 4% below last year's record while profits are down 10-to-15%. The outlook for remodel and repair work is good.

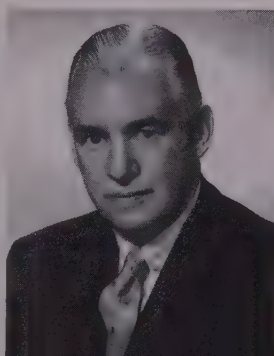
In Little Rock Raymond Rebsamen heads a group of manufacturing, retail, insurance and finance companies with annual volume estimated above \$16,000,000. He is cheerful: sales are running 20% ahead and profits "have increased materially." Furthermore, "we see no reason to expect any lessening in the next six months."

In Towson, Md chairman Robert D Black of Black & Decker Manu-

**Patrick E Haggerty**



**James F Crafts**

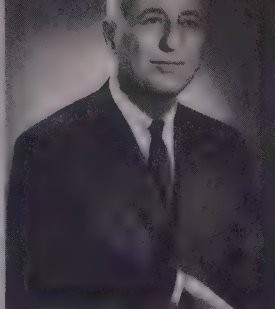


**Seabury Stanton**





**John C Virden**



**Richard H Rich**



**Rupert C Thompson Jr**

facturing is celebrating the 50th anniversary of the company with "record sales & earnings."

Just before he took off for an overseas trip, president D F Morris of papermaker Mead Corp in Ohio stated 1960 sales will be "slightly ahead" and profits will be "slightly behind." He added: "Business is good now. But we should not expect continuous boom years."

### **Mixed Glamor**

The glamor industry **electronics** reports some mixed trends. In Pasadena, Giannini Controls (IR, Sept 30, 1959) estimates 1960 sales up about 22% to \$16,000,000 but profits will not keep pace because of high research costs. The outlook: "excellent." In Dallas Patrick E Haggerty of Texas Instruments says sales should rise 20% and profits will gain by a smaller margin. He states the fourth quarter "will be the best of the year" but is not prepared to forecast 1961.

In St Petersburg, Fla president Frank W Godsey Jr of Electronic Communications declined comment on current operations because of a forthcoming stockholder report. But he did say: "The next six months will be a hell of a lot better \* \* \* a great many projects should move from discussion into firm commitments."

In Denver a top official of a beet **sugar** company declined comment because the new crop has just started and "results could change completely." However beet output this year will reach a new record. In Salt Lake City an official of Amalgamated Sugar expects 1960 dollar sales to be about the same but earnings will slip 5-to-10%. In Georgia, Savannah Sugar Refining expects 1960 sales to increase 3% and profits 5%. The forecast is "clouded by the uncertainty in Cuba," a classic understatement.

In Alexander City, Ala president Thomas D Russell of Russell

Manufacturing had a surprise in the often mercurial **textile** business—sales up 10% and profits up 80%. He added: "Unable to forecast after December. Cloth buyers on hand-to-mouth basis. Forward orders slow."

In Providence, president Seabury Stanton of Berkshire Hathaway also had good news—sales in the fiscal year ended October 1 were down somewhat but net profits more than tripled to an estimated \$4,000,000-plus. He says: "An awful lot of goods were bought ahead last Winter and Spring and we can't be sure just when the market will open up again \* \* \* however unfilled orders are still substantial." Also in Providence, chairman Rupert C Thompson Jr of Textron (textiles, auto parts, consumer & home products) said sales were running at an annual rate of \$450,000,000. Profits for 1960 will be almost "identical with last year" without allowance for the new additions. The outlook: "Just about the same."

In East Hartford, Conn a top official of United Aircraft reported total sales will be little changed but 1960 profits will dip, mostly because of the recent strike. Future sales & profits will be "governed by defense contracts" with better earnings in prospect if R&D costs can be minimized.

In Dallas, Chance Vought estimates 1960 sales down 13% while "net may be down 30%," partly because of continued high R&D. The outlook is split three ways: 1) aircraft schedules stretch into 1963; 2) mobile homes will get "vigorous promotion;" 3) the rate of sales of industrial computers should double to \$12,000,000 a year in the second half. From Wilson, NC, the leading manufacturer which makes truck bodies reports an excellent year with sales & profits up 10%. Moreover, "there has been a definite increase in activity within the past month."

### **Weather Vanes**

Many farmers, ranchers and businessmen mentioned the importance of weather. Some talked of that bad girl named Donna. Near Fort Pierce, Fla the hurricane forced much replanting of strawberries and cut the citrus yield 15%. Near Wilson, NC almost 25% of the corn crop was blown away.

Chairman James E Davis of supermarket chain Winn-Dixie had a note of strength: "Hurricane losses greatly exaggerated. We took precautions. Only loss was a truck blown off the highway into deep water." But the wind blew west to San Francisco where



president James Crafts of Fireman's Fund Insurance reported fine business until Donna but "now impossible to estimate final 1960 results."

### **The Key is Cost Control**

The majority of businessmen are sanguine about sales but worried about high costs and the vanishing profit margin. Hence many of them are on a cost-cutting program. Like a reducing diet, this will melt some fat off the nation's economy but in the long run will add strength and vitality.

Most businessmen are reluctant (or almost unable) to reduce wages or fire people. Therefore cost cuts must come in other ways and fortunately there are many. Overtime is being sliced to a minimum, travel costs are carefully checked (fewer wives on business trips), expense accounts are watched closely, even telephone calls are monitored. In factories, closer supervision, tighter schedules and a more concerted effort to reduce waste, rejects and sloppy workmanship are the order of the day. Some house organs have been cut in size or put on a reduced schedule.

In a well-publicized move, major drug companies (Upjohn, CIBA, Norwich, etc) have critically reviewed ad and promotion expenditures. The magazines directed to doctors have felt the ax. Some companies will save thousands via less ornate annual reports and stockholders will see the results next year. The drive on costs extends into almost every corner of industry—White Motor, Kearney & Trecker and A O Smith, to name but three random examples.

### **For the Future**

The success of these efforts could well determine the future of the stock market. Growth and dividends are paid from profits and to most investors sales are secondary. And while the venerable price-earnings ratio has recently been forced into a back seat it may once again come to the fore.

An important clue to the future is the near-record level of capital spending—\$37 billion this year. Aside from providing an important prop today it is a sign business is not kidding about more efficiency. One mighty example: despite poor business US Steel has actually increased its 1960 capital outlays to \$450-to-500,000,000. Said another steel executive: "If the expansions were for more capacity rather than more efficiency we might consider delaying them—but that is not the case."

## **BUSINESS AT WORK**

### **NATIONAL ECONOMY**

#### **Mixed Singles**

**C**ONVIVIAL Americans are constitutionally eager to get together in innumerable associations. In turn, at least one association currently seeks a source of greater conviviality. Under the sponsorship of Brown-Forman subsidiary Early Times Distillery, a group called the American Society of Bar Masters is conducting its fifth annual National Mixed Drink Competition. Amateurs need not apply; the drink concocting contest is restricted to tavern owners and professional bartenders.

### **OFFICE EQUIPMENT**

#### **Diebold Protection**

**P**RESIDENT Raymond Koontz of Diebold Inc remarks wryly: "As you know, this hasn't been one of the boomiest years for the economy and we're not entirely immune to that." Even so, he optimistically predicts record earnings of \$3 a share, a 14% increase over last year's \$2.63 (adjusted for a 5% stock dividend in January) and triple the earnings of 1955.

Since chief bank protective equipment competitor Mosler Safe Company is privately owned and reveals no financial information and leading office file system rivals like Remington Rand bury the figure in their vast consolidated totals, Diebold has always refused to state its sales "for competitive reasons." But two weeks ago Ray Koontz told the New York Security Analysts he expected 1960

sales would be a record \$40-to-41,000,000. As for release of further figures, Raymond Koontz capably stated: "I just decided to make the disclosure in the taxi coming down here today. I figured it would give you something to talk about."

President Koontz noted Diebold sales have quadrupled in the past ten years and chairman Daniel Maggin boasts: "We expect our pre-tax income this year to be greater than the entire sales volume of any year before War II." The expected 20% increase over 1959 volume is due to the acquisition a year ago of Herring-Hall-Marvin Safe Company (IR, Nov 25, 1959). Also Diebold volume is running 5% ahead of last year not counting the acquisition.

More important, Diebold is climbing this year's earnings peak without help from Herring-Hall-Marvin on which "we have made no money yet. In fact it never had any significant earnings—if it did we couldn't have bought it." President Koontz has high hopes the problems will be straightened out by 1961.

Herring-Hall brings bank teller's equipment, new protective devices and insulated files to Diebold's product roster. It particularly helps round out Diebold's bank equipment lines which bring in about 45% of total billings and a greater share of profits. Ray Koontz looks for growth in this field in the Sixties. "The number of people doing business with banks is growing out of all proportion to the already impressive growth of total population." He cites

a prediction by the Government's FDIC of 11,000 new bank offices to be opened in the US by 1970 and also foresees a vast volume in necessary modernizations of existing bank premises.

Chiefly since War II Diebold has built a hefty business in office file equipment with its original rotary card file and other automatic fire-proof record handling and housing systems. Equipper Koontz sees a huge market potential from businesses such as insurance companies and utilities which must keep thousands of records near at hand.

Asked about the possible impact of microfilm, magnetic tape and other file space diminishers, Ray Koontz could "see nothing to cut out the large amount of paper work" for industry and Government.

Diebold's office equipment sales (also about 45% of total volume) have been less profitable than bank equipment "because we had to buy our way into the field. But our margins are improving as well as our sales." The rest of Diebold revenues comes from services, mainly inspection and maintenance of burglar alarms.

Like every modern company Diebold has an active research department but it is aimed at meeting customer needs rather than development of new products as such. A prime example is modification of drive-in banking windows. Diebold developed a depositor's counter which will slide out to meet a car steered well away from the teller's window, yet will stop gently on contact with the bank customer's auto. But the

advent of the smaller car brought new problems. The company's engineers are now perfecting an in-out, up-down draw (expected on the market within six months) which will accommodate every size car from Corvette to Rolls Royce.

Ray Koontz is well satisfied with the over-the-counter market for Diebold's 677,000 shares, which are about 30% management-held. The stock has more than doubled since last year. It currently trades around 54, within a couple of points of this year's historic high.

The president expects Diebold to continue its 15¢ quarterly dividend plus an annual 5% stock distribution, feels any raise should be deferred until some of the loans used for the Herring-Hall acquisition are retired. Similarly, he foresees no early stock split but "if & when" it "would in all probability be accompanied by a rise in the dividend rate."

## **BUILDING MATERIALS Armstrong Attitudes**

**M**OST COMPANIES greet increased sales and decreased earnings with some dismay. Not so Armstrong Cork Company which scored record first half sales of \$145,200,000 but watched profits fall 10% to \$8,960,000 or \$1.71 a share. Treasurer Walter E Hoadley optimistically considers the decrease in earnings the price of an intensified advertising and promotion campaign "to take advantage of specific market opportunities. In general we're toning up all over and this includes more aggressive and pointed



advertising, merchandising and marketing."

Seeking maximum impact the company slants its nationwide magazine ads, its bonus system policy for Armstrong-supplied stores and its instruction courses on use of its products all toward specific high volume items.

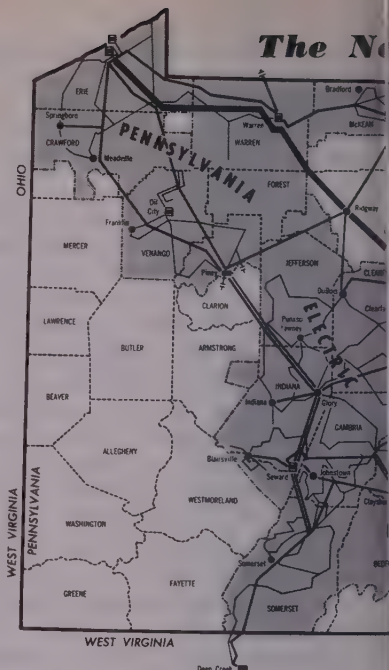
For instance the No 1 US producer of vinyl flooring plans to push from halls and kitchens into the living room with its deluxe "Palatial" line. This is a resilient flooring which features a "3-D" effect, which Armstrong feels has "virtually an untapped market."

Another high volume item Armstrong has emphasized is last year's research & development find Acoustical Fire Board, a revolutionary self-supporting fireproof ceiling tile.

To handle the anticipated sales surge of these products, Armstrong has budgeted capital expenditures this year "at a higher level" than the \$20,394,000 in 1959. And to bolster its diversified product line, which today is only 2% cork, research and development expenditures "are up—and more concentrated than before."

Hence for the full year Walter Hoadley forecasts "mildly increased" sales but predicts earnings at "about \$3.42" as against the record \$3.90 a share in 1959.

For this reason he figures "a year-end extra dividend is likely but it might not match last year's." Armstrong currently pays 35¢ quarterly, disbursed a 20¢ extra last year. On the Big Board the common sells around 44.

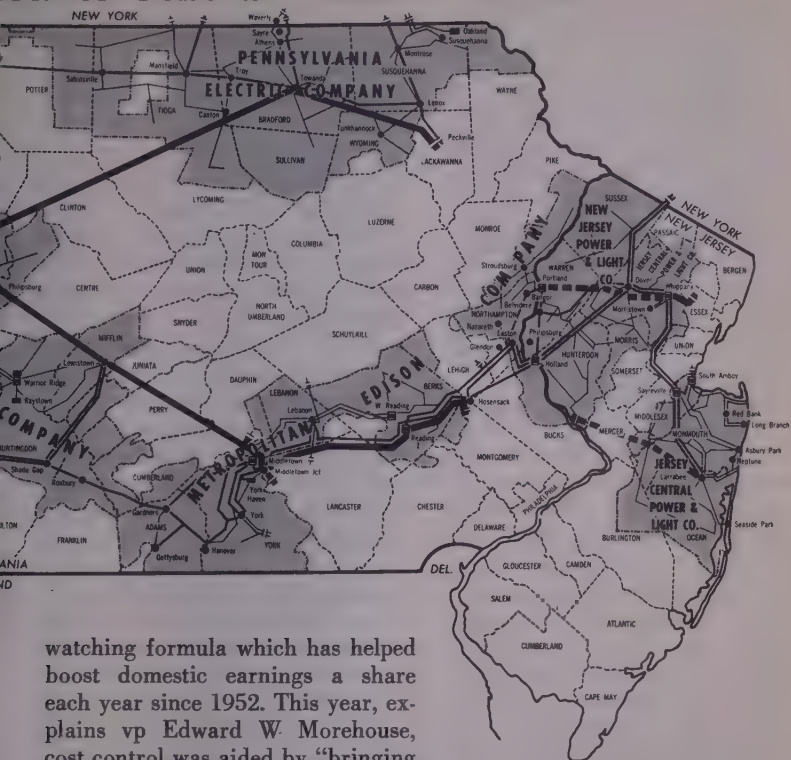


### Cost-Conscious Eastern Holding Company Maintains Margins Midst Growth

WITH profit margins on the squeeze most everywhere, the news is indeed good at General Public Utilities Corp (the Big Board's "GUY"). The Manhattan-towered, Jersey & Pennsylvania-powering holding company forecasts consolidated 1960 sales "somewhat" (perhaps 5%) higher than last year's \$196,000,000. Net income is apt to show proportionate improvement above the \$33,000,000 or \$1.52 realized from domestic operations in 1959.

President Albert F Tegen has always stressed cost consciousness throughout the system, a penny-

# Work of General Public Utilities



watching formula which has helped boost domestic earnings a share each year since 1952. This year, explains vp Edward W. Morehouse, cost control was aided by "bringing into service two new generating units at Shawville, Pa. in October 1959 and April 1960. They are in the lowest-cost fuel area in our system."

In addition to Manila Electric in the Philippines, GUY owns Pennsylvania Electric, Metropolitan Edison (which lights the Eisenhower farm at Gettysburg), Jersey Central Power & Light and New Jersey Power & Light in a \$1 billion-assets complex which stretches in several patches from the Atlantic at Asbury Park, NJ to the Great Lakes at Erie, Pa. Described economically, the 24,000-

square mile, 2,800,000-population service area spreads from northwestern Pennsylvania where abundant coal permits low-cost power production to east-central and northwest Jersey where a soaring population sparks power consumption.

GUY's two Jersey companies do not cover the long-established inner belt of commuter and industrial communities in Bergen, Essex, Union counties—a zone which has also enjoyed fast growth but is in many sections approaching saturation. Instead they serve largely an outer

layer in Sussex, Morris, Monmouth and other areas which were mostly farm land and are now subjected to power-booming "suburbanization."

The four domestic companies are tied together by nearly 500 "pole miles" of 230,000-volt and nearly 2,000 pole miles of other high-voltage lines into an efficiently cooperating network whose geographical and economic spread staggers peak hours and brings important integration savings.

Last year GUY installed a centralized automatic load control system at its Reading, Pa dispatching center. It automatically parcels out electricity from 29 generating units and is designed to permit "optimum economic operation of each unit."

**Efficient Rate.** A graphic result of GUY's year-to-year cost cutting is that the system now requires an average 10,400 btus of heat energy to produce a kilowatt hour, 32% less than in 1950. More significantly, while domestic revenues have climbed 85% since 1950, improved profit margins have upped net income 174%. This compares with a national average gain in utility earnings of 139% on a 118% gain in gross revenues.

In fact, the increased efficiency on growing volume has caused GUY's Pennsylvania Electric Company to produce a return greater than the Pennsylvania Public Utilities Commission under its stringent interpretation of invested capital is willing to authorize. The subsidiary has just agreed to rate reductions totaling \$2,300,000 a year. This is part of a general utility review by the

Commission; Pennsylvania Bell is fighting a request to slim rates; a few smaller companies have made rate cuts; other utilities are under study. GUY expects the effect on its net income to be "insignificant."

On its way to a new 1960 record GUY racked up first-half domestic net income of \$18,200,000 plus \$1,600,000 net dollar receipts from subsidiary Manila Electric. This total equals 87¢ on each of the 22,840,000 common shares compared with 80¢ on fewer shares a year ago.

Effects of any business downtrend in the second half are buffered by GUY's stabilizing revenue spread which derives only 28% from relatively volatile industrial customers (and these compose a well-diversified group) while 22% is commercial and 44% residential. Ten years ago only 39% was residential.

In an energetic drive to build bigger loads, residential customers are the chief target of promotional activities. Says treasurer William G Kuhns: "Although we don't confine promotion to old customers, we find that more of our load growth comes from the sale of more electricity to existing customers than from sales to new ones." The average GUY-served home now uses 3,429 kwh a year or 86% more than a decade ago.

Eager to tap the space heating market with its extra consumption of about 5,000 kwh a home, all four GUY subsidiaries offer special "all electric rates." The Jersey Central Power & Light subsidiary is co-sponsor of and power supplier to "Electric City USA" (IR, September 28),



a home development under construction near Metuchen, NJ.

Of course, GUY also wants more industrial customers, has an area-development program ("Site-Service") to attract them and increase usage by present customers. Within the past year for example, 180 existing plants expanded facilities which added 3,700 employees to their payrolls—and 50,400 kw to the power load. In addition, over 100 new industrial plants with a work force of 3,900 and load of 25,000 kw were located in company territory.

**Philippine Outpost.** While GUY's domestic system is fundamentally similar to the other integrated systems operating under the Public Utility Holding Company Act of 1935, its holding of Manila Electric Company ("Meralco") is unique. The act put pressure on GUY to dispose of Meralco but, in good part because of war and post-war dislocations, no satisfactory buyer was found. Then in 1957 Congress passed a law to permit GUY to keep its Philippine subsidiary. For its part, GUY had negotiated the sale of a 40% interest in Meralco to Philippine businessmen. But the April 1960 decontrol of Philippine exports and imports lowered the dollar value of pesos and thus raised the peso cost for the prospective buyers. They withdrew but Meralco is still for sale when & if the right buyer comes along.

Of consistent though minor benefit to its parent, Meralco provides power for the Philippine capital and environs. Its volume has more than tripled in the past decade to 1.3



**Worker connects new EHV line**

billion kwh in 1959 (compared with 9.4 billion kwh for the domestic system). Operations have been in the black since the property was recovered in 1945 but fluxing exchange rates, conversion restrictions, fees, etc have limited the amount of dollar dividends available to the parent. Actual dividend receipts from Manila have varied from 13¢ a GUY share in 1951 to 6¢ in 1958 and 7¢ last year.

Meralco expects to continue its growth. It has budgeted \$22,000,000 for expansion this year compared to \$12,000,000 in 1959.

**Capital Current.** The domestic subsidiaries are also busy expanding with \$78,000,000 budgeted for 1960. This is \$8,000,000 more than last year. Gross generating capacity is currently 2,471,000 kw, a sharp jump from the 1,004,000 kw of 1950. Present plans call for about 2,900,000 kw capacity by 1964.

Like all alert utilities, GUY is

nuclear conscious. It helped its subsidiaries form the non-profit Saxton (Pa) Nuclear Experimental Corp in 1959 and a small Westinghouse water-type reactor is expected to go into operation in 1962. However Saxton is strictly an R&D project to educate GUY companies and their personnel in the problems of building and operating nuclear plants.

Another type of research is a 13-mile, 460,000-volt (the higher the voltage the less the power loss) transmission line which Pennsylvania Electric put into test operation from Saxton to Claysburg three weeks ago. The EHV (extra high voltage) line will seek answers to the operating problems and cost aspects of transmitting large amounts of low fuel-cost electricity—namely that of western Pennsylvania—throughout the GUY system.

Expansion of GUY's EHV lines "depends on cost incidental to installation as well as modification of existing equipment." And of course, as Bill Kuhns adds: "The 'where & when' of EHV installation will depend on the results of our Pennsylvania line."

Whatever the voltage, GUY is confident its lines will continue to carry more kilowatts and generate more dollars in sales, profits and dividends. The company has a proud boast of twelve consecutive years of dividend increases since the quarterly dime (adjusted) paid in 1948. Two weeks ago directors made sure the record would stay intact when they added a penny to the previous rate and set the new scale at 29¢ a quarter.

## CONTAINERS

### Inside Inland Container

**N**EXT WEEK at the 22nd annual Dairy Industries Exposition in Chicago, Inland Container Corp will introduce "Polygal." Designed to replace "the old-fashioned milk can" used in multi-gallon milk dispensers, lightweight single-service Polygal consists of a polyethylene bag and dispensing tube housed in a "specially treated and designed corrugated box." Inland Container will also supply the corresponding "filling machine" which eliminates much of the dairymen's labor cost.

Polygal aims chiefly at restaurant, school, hospital and other institutional use. Eventually however Inland hopes to hit the home market with a small low-cost dispenser which will hold a total of eight or nine gallons in two or three containers. While paper milk packaging is nothing new, Inland hopes the special ease and extra sanitation advantages of Polygal will help it capture a good share of the \$500,000,000 milk packaging industry.

Indianapolis-based Inland is well versed in marketing psychology. Founded in 1925 by present chairman Herman C Krannert, today it is the nation's No 3 shipper (after Owens-Illinois and Container Corp) of corrugated fiber boxes. Moreover the company's share of this market has increased steadily in each of the past eight years to a current 5%.

Corrugated boxes represent over four-fifths of Inland volume. The remainder comes from kraft linerboard, folding cartons for frozen foods, specialty paperboard prod-

ucts for shipping fruits & vegetables. The December 1959 acquisition of Anderson Box Company added poultry boxes and hatchery supplies.

The \$84,000,000-assets company is determined to maintain its growing position. It has invested almost \$26,000,000 in kraft mills constructed jointly with paper producer Mead Corp. It built the first in 1948 at Macon, Ga, the second six years later at Rome, Ga.

The two mills have a combined capacity of 1,500 tons of kraft linerboard a day. Inland and Mead each purchase half of the output. The third dual venture, a 500 ton-a-day, \$30,000,000 mill also at Rome is scheduled for completion in mid-1961. This facility will make the fluted material which goes between the sheets of linerboard. Previously Inland had to buy this "semi-chemical corrugating material" from outside producers.

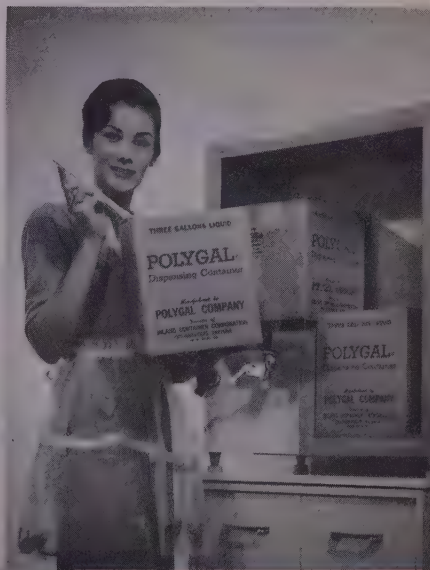
Altogether Inland operates 19 plants, mostly east of the Mississippi. Four have been purchased in the last three years. One acquisition—of a 115,000 square foot facility in Louisville—was challenged this July by the FTC on grounds of monopoly. Inland president George B Elliott maintains: "It is only a small factor. We are continuing to study the case but I have no comment now." The hearing "might not be until after the first of next year."

Although well established in packaging, Inland is somewhat of a stranger to investors. It first went public in April with 175,000 Class A common shares sold at \$38. They now trade over-the-counter around 34.

The market is extremely limited. Of the 1,100,000 Class A shares outstanding, founder Krannert and his wife own 57%. They control 68% of 925,000 Class B. Aside from the 175,000 in public hands the rest is closely held by officers of the company and "a few interested outsiders." The B stock is convertible into A on a share-for-share basis. However each B share has ten votes compared to one for the A. Also no dividends are paid on the B while the A has a 25¢ quarterly rate. In addition there are 135,000 shares of 4% preferred issued in May 1959.

Like most container companies Inland has enjoyed a fairly good first half. Volume climbed 3% to \$45,300,000. After preferred dividends however net available for common came to \$3,046,000 or only \$5,000 more than in the similar 1959 period when preferred dividends were less. Based on present

#### *Inland gal and Polygal*





capitalization this works out to \$1.50 a share in both periods.

President Elliott prefers "not to make any projections" for the full year. However he allows "in the nine months through September volume looked to be about the same as in 1959" when Inland grossed \$68,000,000. For all of 1959 the company scored both record sales and earnings. Volume came to \$93,000,000; profits, after preferred dividends, were \$5,960,000 or \$2.94 a share.

## DRUGS

Pfizer Fetes  
The Press at New  
Connecticut Labs

**T**WO WEEKS ago druggist Chas Pfizer & Co flew three planeloads of reporters to Groton, Conn to help dedicate its new medical research center. The pleasant, airy 177,000-square foot facility consolidates and enlarges several lab units formerly crowded into the Brooklyn plant plus some from Maywood, NJ. Officially dedicated to "scientific research in the service of medicine and mankind," it houses over 400 scientists and technicians or nearly half of Pfizer's research team.

After a steak dinner at Groton's Lighthouse Inn, president John McKeen and an impressive staff of researchers hosted a 45-minute question & answer period to provide background and perspective for Pfizer's increasingly medicine-orientated research effort.

President McKeen led off with a concise summary of Pfizer's history from the company's early interest in fermentation chemistry to its latest

developments in synthetic penicillins. He pointed out how its fermentation experience enabled Pfizer to aid War II Government efforts in research and production of natural penicillin. After the war Pfizer scientists developed one of the first broad spectrum antibiotics. It took its first step into ethical packaged drugs with Terramycin in 1950.

Since then Pfizer has greatly expanded its ethical drug lines. Today it ranks as world leader in antibiotics. It also is important in steroids, anti-nausea drugs, tranquilizers and bulk vitamins. In 1958 the company introduced Diabinese, an oral diabetic, and last year Niamid, a "well tolerated and effective drug for mental depression."

Long a leader in fermentation-produced penicillin, Pfizer is one of the companies intensively investigating synthetic penicillins. It brought out Maxipen, an oral synthetic penicillin in March 1960 after Bristol-Myers brought out its synthetic Syncillin in September 1959. Unlike fermentation-produced penicillins, the synthetic types can be altered by scientists to eliminate drawbacks and provide specific and potent activity against infective agents. Currently under study are almost 2,000 more synthetic penicillins, one of which is reportedly an oral drug highly effective against resistant staphylococci.

Pfizer research has also developed a new tranquilizer which it believes has fewer side effects than present products. It currently markets tranquilizers Atarax, Vistaril and Morderil.

President McKeen also claims "Pfizer is ahead in live polio vaccines because it already has begun production in Britain of the Sabin vaccine." Pfizer will also produce the Sabin vaccine in this country. But vaccine research chief Dr Joel Warren emphasizes: "It will be many, many months before the vaccine is marketed" because of the long testing periods required.

Also in the immunological field Pfizer is investigating a measles vaccine. Other extensive research is concerned with cardiovascular and metabolic diseases.

Pfizer research this year should total \$13-to-14,000,000 or around 6% of sales (as against an industry average of 7.8%). However this does not include the company's extensive cancer research program most of which is financed by the Government's National Institute of Health. This program is carried on at Maywood, NJ. Additional research facilities are in Terre Haute and abroad, mainly in Britain, Chile and India.

In addition to foreign research Pfizer manufactures in 20 countries and distributes in another 80. Last year international sales alone were over \$100,000,000. Total sales came to a record \$253,600,000 or 14% ahead of 1958. Earnings too reached a record of \$24,800,000 or \$1.51 a share from \$23,900,000 (\$1.47) in 1958. For the first half of this year company sales rose 11% to \$136,800,000 while profits gained 13% to \$12,800,000. For the full year Wall Streeters estimate sales at \$278,000,000 and earnings at a

October 26, 1960



#### **Spot check on flask-nurtured plant**

new record of \$1.65 a common share.

Pfizer stock has yet to reflect these gains. The 16,000,000 common shares, quoted at 28 on the Big Board, are off ten points from their high earlier this year and 17 points below the alltime high of 45 scored last year.

#### **White rats in behavior research test**





### MAYTAG MAGIC

Judging from her enthusiasm this modern homemaker can actually "feel the difference" in laundry dried in Maytag's new Magic Touch home dryer which automatically measures moisture in the laundry load, shuts itself off when clothes reach the proper degree of dryness. Thus, claims Maytag, Magic Touch completely avoids damaging "overdrying" which robs fabrics of their natural, residual moisture.

To operate, a housewife simply adjusts the control to the proper setting for Regular, Wash 'n Wear or Damp Dry. Also provided are a manual setting for heavy items like pillows and Air Fluff which provides 30 minutes of heatless tumbling for throw rugs, bedspreads, etc plus a sprinkle accessory to dampen already dried articles. Both gas and electric models will be available next month.

The Newton, Iowa appliance maker which concentrates on washers and other laundry equipment is now in its 67th year. Last year these specialties brought in record sales of \$123,100,000 and peak earnings of \$12,900,000 or \$3.92 a common share. This year however the industrywide slack in appliance demand trimmed six-month sales 6% to \$59,000,000, earnings to \$1.73 from \$2.02 a share.

The 3,275,000 shares of Maytag common currently trade on the Big Board around 33 down from the year's high of 44. About 14% is held by the Maytag family, now in its third generation of company generalship.



## AUTO EQUIPMENT

### Acquisitions Give Federal-Mogul-Bower Full Bearing Line

**D**ETROIT-BASED Federal-Mogul-Bower Bearings Inc has been acquisition-minded ever since its very beginning. The company was originally set up as Federal Mogul Corp in 1924 to take over the assets of Federal Bearing & Bushing Corp and a babbitt metal (anti-friction alloy) and die castings company called Muzzy-Lyon.

Since then it has added nine other manufacturers of bearings and related products plus several smaller service companies which have upgraded \$71,000,000-assets Federal-Mogul-Bower from a specialist in sleeve bearings to a producer of the most complete line of bearings in the industry. Its catalog lists no fewer than 17,000 items which gives it an unusual position of diversification in the industry.

By far the most important acquisitions have come since 1953 when ball bearer Bearings Company of America of Lancaster, Pa joined. The 1955 merger with Bower Roller Bearings nearly doubled the company's size and added the "Bower" name along with straight and tapered roller bearings to the growing Mogul line.

National Motor Bearing Company which was bought in 1956 added oil seals, another closely related product. In 1957 Federal-Mogul acquired Microtech of Pasadena, a specialist in miniature ball bearings for electronics, instrumentation and guidance systems of rockets and missiles.

Federal Mogul's most recent acquisitions have been abroad. Two weeks ago in what president Guy S Peppiatt calls "an obvious step to get a toehold in the Common Market" the company announced purchase from Renault of a "controlling interest" in French sleeve bearing maker Société Française des Cousinets Manches. This week president Peppiatt is back in Europe to investigate similar acquisition possibilities in other Common Market countries.

The move in France reflects a company decision last year to get into foreign manufacturing, not just export sales. During 1959 Federal-Mogul assumed "substantial" minority interests in Argentina's largest engine bearing maker In-De-Co H Minoli and in Spain's Ever Fabrica de Retenes which manufactures oil seals. President Peppiatt explains: "Part of this is defensive strategy as more and more of our customers have moved abroad."

Federal-Mogul-Bower's expanded product lines serve an expanded customer list. Chief among them is the auto industry. But the cyclical trends of Detroit are stabilized by an important replacement business which accounts for "over 25% of total volume." Altogether autos account for 40-to-50% of total sales. Other important uses for Federal-Mogul products are farm and garden equipment, road building machinery, machine tools, aircraft and missiles along with stationary and marine engines, household appliances and electronic equipment.

Says 59-year-old president Pep-

piatt of his greatly enlarged organization: "Consolidation has developed in an orderly manner even though the mergers and acquisitions came pretty fast in relation to their size. We've worked very hard on this, particularly in 1957 when we had a coordination indoctrination program with the officers of the new companies. Then in 1958 we experienced a period of retrenchment which was valuable to us even though business was down. At this point we're very pleased with the way things are going."

Last year after a slight setback in recession-scarred 1958 the company tallied record sales of \$127,500,000 and peak profits of \$12,310,000 or \$2.52 a share.

This year the pace has somewhat slackened due to the general business recession. It should nonetheless rank second best in company history. First half sales were down 4% to \$61,900,000. And with increased costs on the lower volume, first half profits fell 24% to \$5,000,000 or \$1.03 v \$1.36 a year ago.

President Peppiatt reports the third quarter, traditionally down because of auto model changeovers and lumped vacations, is not far below 1959, "will be better in relation to the first two quarters than we're normally used to." For the full year he confirms a Wall Street estimate of \$2-to-2.25 a share as "reasonable" but declines further comment.

On the Big Board the 4,885,000 shares of FMO stock have reflected the general business decline. They now trade around 27, down from the alltime high of 40 earlier in the year.

At this level the current cash dividend rate of 35¢ quarterly which was established last year represents an attractive yield of 5.2%.

When asked about the future of the bearing business, the FMO president reminds: "Because of our product line every company building a device incorporating any form of motion is a potential customer. At the very least we expect to maintain the market penetration we have in each of our lines."

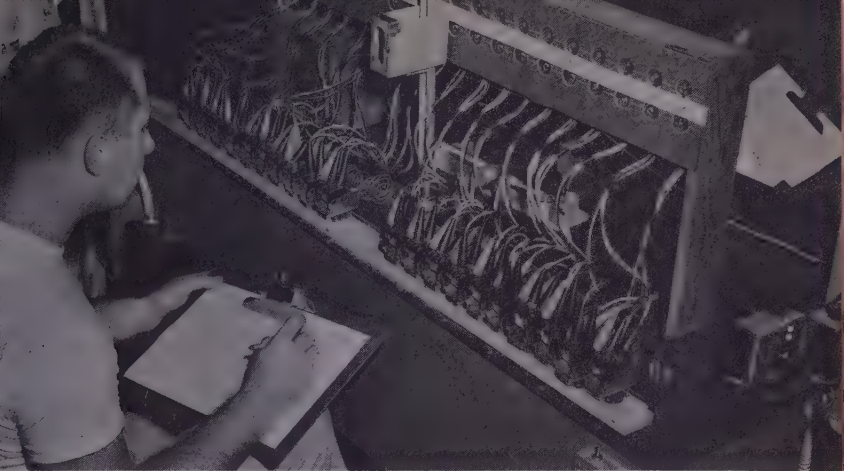
## **ELECTRONICS**

### **Ranco at Home & Abroad**

**H**AD American Motors scored with its Rambler just a few years earlier, Ranco Inc might never have become a public company. Until five years ago the \$24,500,000-assets temperature & pressure controls maker was 62% controlled by the No 4 automaker which had picked it up when the old Nash Corp merged Kelvinator in 1937. Kelvinator had acquired its Ranco interest two years earlier.

Then in November 1955 cash-needy American Motors offered 400,000 shares to the public at \$20 each, the remaining 217,000 shares at \$18.25 a few months later when Ranco was listed on the Big Board under the ticker symbol RNI. While RNI shareholders have not done as well as those of AMO, neither have they suffered. The 1,100,000 shares currently outstanding now trade around 45 and based on the \$1.40 annual dividend yield 3.1%.

Ranco is the namesake of present honorary chairman E C Raney who founded the Columbus, Ohio firm in



**Ranco technician checks temperature controls**

1913. The company first made circuit breakers, expanded in bleak 1929 with a control for refrigerators and now claims to be the No 1 producer of refrigeration controls. Ranco is also a leading supplier to the air conditioning industry and together the two categories account for around two-thirds of total sales. The rest of the business is in automobile heater and clothes dryer controls, defrost timers, starting & overload relays. Abroad Ranco sells controls as well as motors for compressors.

In March 1959 Ranco purchased Wilcolator Company for \$3,000,000 worth of common and convertible preferred stock. Wilcolator makes gas & electric oven controls as well as controls for electric space heating at plants in Elizabeth, NJ and Toronto. Ranco secretary-treasurer Athol Peter McDiarmid looks at Wilcolator with an analytical eye. "It wasn't a good company. Wilcolator had a poor history of earnings

and we thought we could do something with it." He reports: "It is going along very nicely now."

So is Ranco which is making its best showing in history this year. In the nine months ended June volume rose 20% to \$35,000,000 while net income climbed to \$3,200,000 or \$2.90 a share compared to \$2,500,000 (\$2.27) in the similar 1958/59 period.

For the fourth quarter ended last month "business wasn't as good as in other quarters" because of: 1) earlier-than-usual model changeover shutdowns in the auto industry and 2) current trends in the appliance field. Even so treasurer McDiarmid figures "we earned \$3.25-to-\$3.50 a share," a nice jump over last year's record \$2.93.

In so doing Ranco has far outscored its competitors. For example General Controls with slightly higher sales has reported over one-fourth lower net in the first six months of this year. Similarly, Robertshaw-



Fulton Controls' suffered a 5% dip in volume, a 44% decline in profits. General Electric which is "an exceedingly important customer as well as probably our biggest competitor" had 3% lower sales in the first nine months while profits fell 11%.

Ranco does not classify Minneapolis-Honeywell as a competitor since Honeywell emphasizes complete control systems as opposed to appliance controls. But Honeywell too felt a profit squeeze in the first half as net income dropped 2.5%.

President Arthur McCall Hoover attributes Ranco's success to "increased market penetration in this country" and more importantly to "the sustained high level of activity of the overseas subsidiaries." In fiscal 1959 the company's foreign income had expanded from only \$36,000 or less than 2% of consolidated profits in 1953 to \$872,000 or 27%. This year, notes Athol McDiarmid, earnings from abroad "were well over 30% of our total."

Ranco first went overseas a decade ago when it built a plant in Glasgow which has since been expanded sevenfold. A research center at North Berwick, Scotland was established in 1958. Three years ago Ranco opened a plant in Olgiate Comasco, Italy and added another plant at Lomazzo last year. A factory near Heidelberg began production in January. The company also owns 40% of Melbourne's Australian Controls Ltd which makes and sells Ranco products down under.

Explains Athol McDiarmid: "It's growing over there beyond our wild-

est dreams. We just haven't been able to build fast enough." Ranco plans capital expenditures of \$2,000,000 in fiscal 1961 or about the same as this year. Slated for construction are new plants in Italy and Britain as well as expansion of the German and Scottish facilities.

Thus Athol McDiarmid looks for "a very good year in Europe" in 1961. Wall Streeters figure this should more than offset any letup in what is expected to be a "good but not best" year at home and likely set another global high.

## PAPER

### Crown Zellerbach in Chips

**I**N ITS LATEST step along the path toward full-tree utilization, West Coast paper giant Crown Zellerbach Corp this month is starting its 60,000,000 board foot a year sawmill at Columbia City, Ore. The integrated paper producer has long processed lumber at its Canadian subsidiary but this is its first sawmill in the US.

From San Francisco headquarters president Reed O Hunt (IR, Nov 11, 1959) last week commented on the new plant located along the Columbia River some 30 miles north of Portland: "It is not a very large operation but we feel it is very significant because it results in the better use of each tree." In fact, he adds, "we use everything but the bark."

President Hunt explains: "We are not primarily in the lumber business as such but simply after maximum utilization of the timber we process." Thus the Columbia City instal-

lation is "designed to produce lumber as a by-product of the wood chips" which the plant will supply to nearby company pulp mills.

However, lumber business has been good at Crown Zellerbach (known as ZB to Big Boarders). Despite the decline in residential construction, the company's lumber output in the first half of 1960 increased 8%. And plywood production eased only 3%. More important, even with the pressure on prices, ZB managed to increase its first half lumber profits by 22% thanks to more efficient plant facilities. Columbia City should further improve this trend.

To better use the tree wastes remaining after completion of the pulping process, Crown Zellerbach has just constructed its first large-scale (10,000,000 pounds yearly) sulphurous chemical plant at Bogalusa, La.

The new plant will turn out dimethyl sulphide and derivatives, industrial solvents used in a wide variety of products such as synthetic fibers, agricultural chemicals, insecticides, brake fluids and in petroleum refining. Reed Hunt is enthusiastic about the plant's efficiency and economy.

While ZB successfully expands its lumber, chemicals and plastic sidelines, paper & pulp still form the backbone of the company. An extensive modernization program of existing paper mills and converting plants is underway even though capital expenditures are down somewhat from the \$39,000,000 spent last year. In line with the industry

trend to "locate newsprint mills closer to the consumer," Crown Zellerbach continues its active consideration of a 100,000-ton capacity newsprint mill in the Denver area but plans still remain only in the "engineering and negotiation" stage.

The nation's No 2 paper producer (after International), ZB also set an alltime high in paper output in the first half. Consequently total sales rose 7% to \$276,000,000. While a newsprint price cut in the Intermountain States (Arizona, Colorado and Utah) and rising start-up and labor costs slimmed margins slightly, ZB still turned in a profit performance somewhat above the industry average. The company netted \$1.42 a share v \$1.35 for the first six months of 1959.

President Hunt happily reports business is holding up nicely. August sales were the highest for any month in the company's 32-year history and continue to run ahead of year-ago levels. Increased volume in the seasonally strong second half could push sales above the \$563,000,000 estimated earlier this year and quite substantially above last year's record-breaking \$527,300,000.

Earnings gains will undoubtedly be narrower but Reed Hunt still hopes to top the \$39,300,000 or \$2.76 a share netted last year. Wall Streeters speak about roughly \$3 on each of the 13,800,000 shares which currently trade around 43 (down from 60 last year) and yield 4.2%.

## ***Computers in Election Contest***

**IBM, RCA, Sperry Will  
Show Off their Brains  
On Major TV Networks**

**A**MONG the candidates vying for popular acclaim on November 8 are some inhuman but super-sophisticated brains—the electronic monsters of IBM, RCA and Sperry Rand. Running on the platforms of the three major networks, they hope to tell viewers the probable winner soon after the new Presidential voters in Hawaii and Alaska come back from lunch.

The election offers the computer makers a priceless (but not inexpensive) showcase before an audience of tens of millions. A good performance—especially should there be a clear-cut winner in the predictions race—will be rewarded with well-advertised prestige, conceivably convertible into at least some added business. Similar recompense in prestige and billings is fondly expected by the “winning” network.

It was only ten elections ago that crystal set owners of the Harding-Cox era heard the first broadcast results over their earphones. Computer reporting began in 1952 with chief public attention drawn to the CBS presentation of Univac though the election also featured a Monrobot (Monroe Calculating, now part of Litton Industries) at NBC while ABC had an IBM computer. Since then there has been a wondrous advance in the state of the art—and a reshuffle in the teams of artists.

● Electronic giant Radio Corp,

which just came of age in the giant computer field during the second Eisenhower Administration, naturally wants to display its newly developed skills before the cameras of its own subsidiary, National Broadcasting Company.

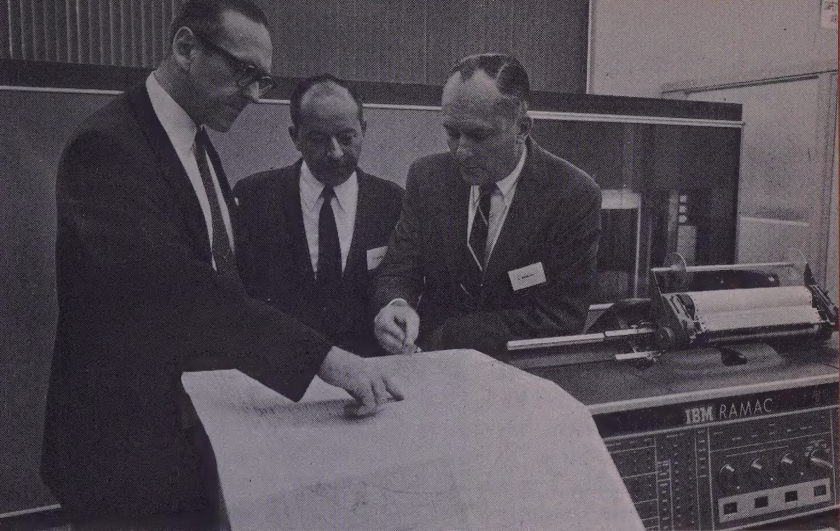
● International Business Machines, NBC's partner in 1956 and also during the “highly successful” analysis of 1958 Congressional returns, has shifted allegiance to the Columbia Broadcasting System.

● Sperry Rand's Univac which pioneered in election electronics at CBS will this year be viewed over the American Broadcasting Company network. ABC worked with Underwood (now out of the computer business) in 1956.

A good deal of product reputation will ride on each machine's ability to spew forth quick and accurate answers. Actually electronic experts generally agree most major computers could handle the job effectively enough; the key is proper programming. Consequently teams of political scientists, sociologists, statisticians and mathematicians along with computer technicians and newscasters have spent the better part of a year in preparation.

The magnetic memories have been fed all conceivable types of information from precinct-by-precinct breakdowns of voting habits and population characteristics to the latest economic trends and their potential impact; arrangements made to obtain and process voting results at top speed; complex mathematical





**CBS-News Prexy Sig Mickelson (r) learns IBM program**

equations computered to utilize the data.

With programming so vital, many of the details are jealously guarded secrets. Thus an IBM man proclaims: "While I cannot at this time disclose all the reasons for this opinion \* \* \* the CBS-News-IBM team expects to provide the fastest and most comprehensive election reporting job that has ever been done."

CBS expects to pick the winner after 1% of the total vote is tallied, "hopes to have some predictions on our 7:15 EST newscast," well before the polls close even in many Eastern states. This will better previous showings by over an hour.

NBC expects a first prediction ready about 7 o'clock on an equally small sample but spells out some details on distribution: "When 10% of the vote has been reported for any ten states we can make a prediction within an error of 3%." Univac-

ABC is less specific but comments on its rivals' schedules: "We hope we may have something to report even earlier."

**Machinations.** To provide its speedy service, CBS will use two separate IBM machines. A special feature-equipped RAMAC 305 at the network's Studio 65 election headquarters will keep up-to-the-minute tabs on the 1960 score. It will use its 10,000,000-character Random Access memory to register all voting reports, automatically eliminate duplications and post revised totals directly on a viewing board.

Meantime the analytical and forecasting tasks will be handled by the powerful 7090 solid state (all-transistorized) computer, chaperoned by commentator Howard K Smith at IBM's Eastern Region Datacenter in the Time-Life Building. It is prepared to predict the outcome on the basis of several hundred "pointer

precincts" throughout the country whose results will be phoned directly to the IBM center. It will also answer such questions as the effect of bloc voting along labor, farm, race or religious lines, as well as provide comparisons with Al Smith, FDR or Ike.

NBC will use two separate human staffs (one for current return compilation, the other for interpretation) but only one machine—the RCA 501. A fully transistorized high-speed data processing system, the 501 is installed on Wall Street to handle brokerage and other business data on a contract basis. On election night however it will be linked by RCA's new DaSpan digital communications system directly with the information-feeding sources at NBC's Election Central at Rockefeller Center. In addition special data on selected precincts will be phoned to the Wall Street center where Richard Harkness will be on the spot to relate the machine's findings.

For its coverage at ABC, Univac will use the Univac I model featured in previous elections, equipped with faster read-out devices and other improvements. Similarly the historical data fed to Univac's memory has been enlarged and improved.

Officials at most networks stress the substantially greater speed of

their machines as well as far better analytical skills in predicting greatly improved computer coverage. One CBS man reviewed: "We first used a computer in 1952 and we had a problem with clerical and other errors. In 1956 there was such a landslide an abacus could have told us the winner. This time it looks like a close race which will be a real challenge to computer analysis. It'll separate the men from the boys."

While their immediate concern is to cast a manly rather than boyish computer image on the TV screens, the manufacturers are also mindful of the direct commercial applications of their election night experience. Notes IBM: "The work in statistical probabilities and analysis which has been done in the election field will facilitate similar work in marketing, advertising and other areas where projections and analysis play an important role."

RCA which as the newest entrant has probably the highest stake in the election electronics derby, frankly counts on demonstrating its usefulness to potential business and scientific customers. It reasons: "If our methods and systems can call the turns on an election, they can be equally successful in telling us what products will sell in what quantities, when and where."

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### Investor's Reader Staff

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### Production

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Joyce De Mauro

Annette Miller

### Contributors

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in Merrill Lynch

offices from

Coast-to-Coast

contributed to

this issue.





## POLISH PREVUE

In its latest diversification move household waxer S C Johnson & Son has taken a shine to the \$85,000,000-a-year shoe polish market. The Racine, Wis manufacturer is introducing three varieties of liquid polish. All come in the handy polyethylene squeeze bottle with built-in, non-removable applicator so deftly demonstrated by the young lady pictured at left. A fourth polish is "the first complete shoe shine kit in a can," a compact paste model with plastic sponge dauber and shine cloth tucked into its handle.

The shoe shine business is small but highly competitive. It includes such formidable contenders as American Home Products' Griffin line, Revlon's Esquire and Best Foods' Shinola.

Johnson's, which undertook an "extremely successful" market test in Ohio earlier this year, has started initial marketing in 20 Eastern states. It will push its entries with "the biggest advertising program in shoe polish history." It plans heavy newspaper ads with lots of color, TV "spots" and "cut-ins", will also use New York subway posters, trade publication ads and point-of-sale displays.

Shoe polish was one of the few polish fields which privately owned Johnson's had left unwaxed. Claims vice president Raymond W Carlson: "We decided to defer entering this seemingly natural market for us until we could come up with something different and substantially better." The company's Johnson's Paste Wax, Glo-Coat and Pride furniture polish are practically household by-words. Also well known are Klear floor wax and Pledge spray wax.

Nor has Johnson's restricted itself solely to waxes and polishes. In the past six years the company has diversified into insecticides (Raid), insect repellents (Off!), air fresheners (Glade), specialty chemicals and tire and upholstery cleaners.

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## FIRE HAZARD

If you remember your Ovid—or your Bulfinch—you'll recall that Phaeton asked his father's permission to drive the chariot of the sun for just one day. Apollo reluctantly consented, but only after warning Phaeton about the dangers he would face—the power of the horses, the steepness of the route, the monsters lying in wait.

We often feel like father Apollo when someone with a small sum of money and no experience in the market comes to us and says he wants to speculate, to make a mint of money in a month. We wish he wouldn't be so daring, but we can't actually forbid him to speculate if he wants to do so. All we can do is warn him about the countless pitfalls of speculating and hope he will pay closer attention to us than Phaeton did to Apollo.

There's not much danger that an inexperienced speculator will set the world on fire, as Phaeton did, but he may burn himself—badly. And that's something we never like to see.

So we say to novices in the market who would like to get rich quick (as who wouldn't?), don't think of speculating unless you have a lot of money and a lot of nerve. Remember, nothing exceeds like excess. Amen.

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